

THE ECONOMIC AND BUDGET OUTLOOK: AN UPDATE

**A Report to the
Senate and House
Committees on the Budget**

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**The Congress of the United States
Congressional Budget Office**

NOTES

Unless otherwise indicated, all years referred to in Chapter 1 and Appendix A are calendar years and all years in Chapter 2 are fiscal years.

The economic forecast performed for this report was completed too early to include either the advance estimate of second-quarter GDP released by the Bureau of Economic Analysis in late July or the effects of the regular annual revision to the national income and product accounts released by BEA in late August.

Some figures in this report indicate periods of recession using shaded vertical bars. The bars extend from the peak to the trough of the recession.

Unemployment rates throughout the report are calculated on the basis of the civilian labor force.

Numbers in the text and tables of this report may not add to totals because of rounding.

Preface

This volume is one of a series of reports on the state of the economy and the budget that the Congressional Budget Office (CBO) issues each year. It satisfies the requirement of section 202(f) of the Congressional Budget Act of 1974 that CBO submit periodic reports to the Committees on the Budget with respect to fiscal policy. In accordance with CBO's mandate to provide objective and impartial analysis, the report contains no recommendations.

The analysis of the economic outlook presented in Chapter 1 was prepared by the Macroeconomic Analysis Division under the direction of Robert Dennis and John F. Peterson. Angelo Mascaro wrote the chapter. Robert Arnold carried out the economic forecast and projection. Robert Arnold, Laurie Brown, Victoria Farrell, Douglas Hamilton, Kim Kowalewski, Thomas Loo, Joyce Manchester, Frank Russek, Matthew Salomon, John Sturrock, and Christopher Williams provided comments and background analysis. Derek Briggs, Laurie Brown, Blake Mackey, Mark McMullen, and Michael Simpson provided research assistance.

The baseline outlay projections were prepared by the staff of the Budget Analysis Division under the supervision of C.G. Nuckols, Paul N. Van de Water, James Horney, Michael Miller, Charles Seagrave, and Robert Sunshine. The revenue estimates were prepared by the staff of the Tax Analysis Division under the supervision of Rosemary D. Marcuss and Richard A. Kasten. James Horney wrote Chapter 2, with contributions from Eric Toder, Richard A. Kasten, Kathy A. Ruffing, and Jeffrey Holland. Paul N. Van de Water wrote the summary of the report. Appendix A was written by Matthew Salomon.

An early version of the economic forecast underlying this report was discussed at a meeting of CBO's Panel of Economic Advisers. Members of this panel are Michael Boskin, Barry Bosworth, Robert Dederick, Martin Feldstein, Stanley Fischer, Benjamin Friedman, Lyle E. Gramley, Robert Hall, Lawrence Klein, Robert Lawrence, John Makin, Burton Malkiel, Rudolph Penner, William Poole, Paul Samuelson, Charles Schultze, Robert Solow, James Tobin, Murray Weidenbaum, and Janet Yellen. Ralph Bryant, Glenn Hubbard, Michael Mussa, and Martin B. Zimmerman attended as guests. Despite the considerable assistance afforded by these outside advisers, they are not responsible for any errors in the analyses in this document.

Paul L. Houts supervised the editing and production of the report. Major portions were edited by Sherry Snyder and Sherwood Kohn. Christian Spoor provided editorial assistance during production. The authors owe thanks to Dorothy Kornegay, Linda Lewis, and L. Rae Roy, who assisted in the preparation of the report. With the assistance of Martina Wojak-Piotrow, Kathryn Quattrone prepared the report for final publication.

Robert D. Reischauer
Director

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